

Chapter 3.24

BUSINESS AND OCCUPATION TAX¹

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The provisions of this chapter shall be deemed an exercise of the power of the city to license for revenue. This section implements Washington Constitution Article XI, Sec. 12 and RCW [35A.82.020](#) and [35A.11.020](#) (code cities); [35.22.280](#)(32) (first class cities); [35.23.440](#)(8) (second class cities); [35.27.370](#)(9) (fourth class cities and towns), which give municipalities the authority to license for revenue. In the absence of a legal or constitutional prohibition, municipalities have the power to define taxation categories as they see fit in order to respond to the unique concerns and responsibilities of local government. See *Enterprise Leasing v. City of Tacoma*, 139 Wn.2d 546 (1999). (Ord. 2810-04 § 1 (part), 2004)

3.24.020 Chapter following model ordinance—Changes—Exceptions. [SHARE](#)

It is intended that this chapter, as much as is practicable, considering situations particular and unique to the city of Everett, follow the model ordinance provided by and agreed upon among the cities as adopted by the Association of Washington Cities in 2004 and as mandated by the provisions of Chapter 79, Laws of Washington 2003 (EHB 2030, Chapter [35.102](#) RCW). The provisions of this chapter are subject to periodic statutory or administrative rule changes or judicial interpretations of the ordinances or rules. The responsibility rests with the licensee or taxpayer to reconfirm tax computation procedures and remain in compliance with the city code. (Ord. 2810-04 § 1 (part), 2004)

3.24.025 Administrative provisions. [SHARE](#)

The administrative provisions contained in Chapter [3.19](#) of this code shall be fully applicable to the provisions of this chapter except as expressly stated to the contrary herein. (Ord. 2810-04 § 1 (part), 2004)

3.24.030 Definitions. [SHARE](#)

In construing the provisions of this chapter, the following definitions shall be applied. Words in the singular number shall include the plural, and the plural shall include the singular.

A. Definitions, A—I.

Advance, Reimbursement.

1. “Advance” means money or credits received by a taxpayer from a customer or client with which the taxpayer is to pay costs or fees on behalf of the customer or client.
2. “Reimbursement” means money or credits received from a customer or client to repay the taxpayer for money or credits expended by the taxpayer in payment of costs or fees of the client.

Agricultural Product, Farmer.

1. "Agricultural product" means any product of plant cultivation or animal husbandry including, but not limited to, a product of horticulture, grain cultivation, vermiculture, viticulture, or aquaculture as defined in RCW [15.85.020](#); plantation Christmas trees; turf; or any animal including but not limited to an animal that is a private sector cultured aquatic product as defined in RCW [15.85.020](#), or a bird, or insect, or the substances obtained from such an animal. "Agricultural product" does not include animals intended to be pets.

2. "Farmer" means any person engaged in the business of growing or producing, upon the person's own lands or upon the lands in which the person has a present right of possession, any agricultural product whatsoever for sale. "Farmer" does not include a person using such products as ingredients in a manufacturing process, or a person growing or producing such products for the person's own consumption. "Farmer" does not include a person selling any animal or substance obtained therefrom in connection with the person's business of operating a stockyard or a slaughter or packing house. "Farmer" does not include any person in respect to the business of taking, cultivating, or raising timber.

"Business" includes all activities engaged in with the object of gain, benefit, or advantage to the taxpayer or to another person or class, directly or indirectly.

"Business and occupation tax" or "gross receipts tax" means a tax imposed on or measured by the value of products, the gross income of the business, or the gross proceeds of sales, as the case may be, and that is the legal liability of the business.

"Cash discount" means a deduction from the invoice price of goods or charge for services, which is allowed if the bill is paid on or before a specified date.

"City" means the city of Everett, a municipal corporation.

"Clerk" means the city clerk of the city of Everett, or the clerk's designee.

"Commercial or industrial use" means the following uses of products, including byproducts, by the extractor or manufacturer thereof:

1. Any use as a consumer;
2. The manufacturing of articles, substances or commodities; or
3. Consigning, shipping or transferring extracted or manufactured products to another either without consideration or in the performance of contracts.

“Competitive telephone service” means the providing by any person of telecommunications equipment or apparatus, or service related to that equipment or apparatus such as repair or maintenance service, if the equipment or apparatus is of a type which can be provided by persons that are not subject to regulation as telephone companies under RCW Title [80](#) and for which a separate charge is made.

“Consumer” means the following:

1. Any person who purchases, acquires, owns, holds, or uses any tangible or intangible personal property irrespective of the nature of the person’s business and including, among others, without limiting the scope hereof, persons who install, repair, clean, alter, improve, construct, or decorate real or personal property of or for a consumer other than for the purpose of:
 - a. Resale as tangible or intangible personal property in the regular course of business;
 - b. Incorporating such property as an ingredient or component of real or personal property when installing, repairing, cleaning, altering, imprinting, improving, constructing, or decorating such real or personal property of or for consumers;
 - c. Incorporating such property as an ingredient or component of a new product or as a chemical used in processing a new product when the primary purpose of such chemical is to create a chemical reaction directly through contact with an ingredient of a new product; or
 - d. Consuming the property in producing ferrosilicon which is subsequently used in producing magnesium for sale, if the primary purpose of such property is to create a chemical reaction directly through contact with an ingredient of ferrosilicon;
2. Any person engaged in any business activity taxable under Section [3.24.050\(A\)\(7\)](#);
3. Any person who purchases, acquires, or uses any competitive telephone service as herein defined, other than for resale in the regular course of business;
4. Any person who purchases, acquires, or uses any personal, business, or professional service defined as a retail sale in subsection C of this section, other than for resale in the regular course of business;
5. Any person who is an end user of software;

6. Any person engaged in the business of “public road construction” in respect to tangible personal property when that person incorporates the tangible personal property as an ingredient or component of a publicly owned street, place, road, highway, easement, right-of-way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle by installing, placing or spreading the property in or upon the right-of-way of a publicly owned street, place, road, highway, easement, bridge, tunnel, or trestle or in or upon the site of a publicly owned mass public transportation terminal or parking facility;

7. Any person who is an owner, lessee or has the right of possession to or an easement in real property which is being constructed, repaired, decorated, improved, or otherwise altered by a person engaged in business;

8. Any person who is an owner, lessee, or has the right of possession to personal property which is being constructed, repaired, improved, cleaned, imprinted, or otherwise altered by a person engaged in business;

9. Any person engaged in “government contracting.” Any such person shall be a consumer within the meaning of this subsection in respect to tangible personal property incorporated into, installed in, or attached to such building or other structure by such person.

Nothing contained in this or any other subsection of this section shall be construed to modify any other definition of “consumer.”

“Delivery” means the transfer of possession of tangible personal property between the seller and the buyer or the buyer’s representative. Delivery to an employee of a buyer is considered delivery to the buyer. Transfer of possession of tangible personal property occurs when the buyer or the buyer’s representative first takes physical control of the property or exercises dominion and control over the property.

“Dominion and control” means the buyer has the ability to put the property to the buyer’s own purposes. It means the buyer or the buyer’s representative has made the final decision to accept or reject the property, and the seller has no further right to possession of the property and the buyer has no right to return the property to the seller, other than under a warranty contract. A buyer does not exercise dominion and control over tangible personal property merely by arranging for shipment of the property from the seller to itself. A buyer’s representative is a person, other than an employee of the buyer, who is authorized in writing by the buyer to receive tangible personal property and take dominion and control by making the final decision to accept or reject the property. Neither a shipping company nor a seller can serve as a buyer’s representative. It is immaterial where the contract of sale is negotiated or where the buyer obtains title to the property. Delivery

terms and other provisions of the Uniform Commercial Code (RCW Title [62A](#)) do not determine when or where delivery of tangible personal property occurs for purposes of taxation.

“Digital automated service,” “digital code,” and “digital goods” have the same meaning as in RCW [82.04.192](#).

“Digital products” means digital goods, digital codes, digital automated services, and the services described in RCW [82.04.050](#)(2)(g) and (6)(b).

“Director” means the finance director of the city of Everett or any officer, agent or employee of the city designated to act on the director’s behalf.

Eligible Gross Receipts Tax. The term “eligible gross receipts tax” means a tax which:

1. Is imposed on the act or privilege of engaging in business activities identified in Section [3.24.050](#); and
2. Is measured by the gross volume of business, in terms of gross receipts, and is not an income tax or value added tax; and
3. Is not, pursuant to law or custom, separately stated from the sales price; and
4. Is not a sales or use tax, business license fee, franchise fee, royalty or severance tax measured by volume or weight, or concession charge, or payment for the use and enjoyment of property, property right or a privilege; and
5. Is a tax imposed by a local jurisdiction, whether within or without the state of Washington, and not by a country, state, province, or any other nonlocal jurisdiction above the county level.

Engaging in Business.

1. The term “engaging in business activity” means commencing, conducting, or continuing in business and also the exercise of corporate or franchise powers, design, research, and development activities, as well as liquidating a business when the liquidators thereof hold themselves out to the public as conducting such business.
2. This subsection sets forth examples of activities that constitute engaging in business in the city, and establishes safe harbors for certain of those activities so that a person who meets the criteria may engage in de minimis business activities in the city without having to register and obtain a business license or pay city business and occupation taxes. The activities listed in this section are illustrative only and are not intended to

narrow the definition of “engaging in business” in subsection 1 of this definition. If an activity is not listed, whether it constitutes engaging in business in the city is to be determined by the city considering all the relevant facts and circumstances and applicable law.

3. Without being all inclusive, any one of the following activities conducted within the city by a person or its employee, agent, representative, independent contractor, broker or another acting on its behalf constitutes engaging in business and requires a person to register and obtain a business license:

- a. Owning, renting, leasing, maintaining, or having the right to use, or using, tangible personal or real property permanently or temporarily located in the city.
- b. Owning, renting, leasing, using, or maintaining an office, place of business, or other establishment in the city.
- c. Soliciting sales.
- d. Making repairs or providing maintenance or service to real or tangible personal property, including warranty work and property maintenance.
- e. Providing technical assistance or service, including quality control, product inspections, warranty work, or similar services on or in connection with tangible personal property sold by the person or on its behalf.
- f. Installing, constructing, or supervising installation or construction of real or tangible personal property.
- g. Soliciting, negotiating, or approving franchise, license, or other similar agreements.
- h. Collecting current or delinquent accounts.
- i. Picking up and transporting tangible personal property, solid waste, construction debris, or excavated materials.
- j. Providing disinfecting and pest control services, employment and labor pool services, home nursing care, janitorial services, appraising, landscape architects, security system services, surveying, and real estate services including the listing of homes and managing real property.
- k. Rendering professional services such as those provided by accountants, architects, attorneys, auctioneers, consultants, engineers, professional athletes, barbers, baseball clubs and other sports organizations, chemists,

consultants, psychologists, court reporters, dentists, doctors, detectives, laboratory operators, teachers, and veterinarians.

1. Meeting with customers or potential customers, even when no sales or orders are solicited at the meetings.

m. Conducting training or other educational services for employees, agents, representatives, independent contractors, brokers or others, domiciled or operating on a job in the city, acting on its behalf, or for customers or potential customers.

n. Investigating, resolving, or otherwise assisting in resolving customer complaints.

o. In-store stocking or manipulating products or goods, sold to and owned by a customer, regardless of where sale and delivery of the goods took place.

p. Delivering goods in vehicles owned, rented, leased, used, or maintained by the person or another acting on its behalf.

q. Accepting or executing a contract with the city, irrespective of whether goods or services are delivered within or without the city, or whether the person's office or place of business is within or without the city.

4. If a person, or its employee, agent, representative, independent contractor, broker or another acting on the person's behalf, engages in no other activities in or with the city but the following, it need not register and obtain a business license and pay tax:

a. Meeting with suppliers of goods and services as a customer.

b. Meeting with government representatives in their official capacity, other than those performing contracting or purchasing functions.

c. Attending meetings, such as board meetings, retreats, seminars, and conferences, or other meetings wherein the person does not provide training in connection with tangible personal property sold by the person or on its behalf. This provision does not apply to any board of director member or attendee engaging in business such as a member of a board of directors who attends a board meeting.

d. Renting tangible or intangible property as a customer when the property is not used in the city.

e. Attending, but not participating in, a "trade show" or "multiple vendor events." Persons participating at a trade show shall review the city's trade show or multiple vendor event ordinances.

5. A seller located outside the city merely delivering goods into the city by means of common carrier is not required to register and obtain a business license; provided, that it engages in no other business activities in the city. Such activities do not include those in subsection 4 of this definition.

The city expressly intends that engaging in business include any activity sufficient to establish nexus for purposes of applying the tax under the law and the Constitutions of the United States and the state of Washington. Nexus is presumed to continue as long as the taxpayer benefits from the activity that constituted the original nexus generating contact or subsequent contacts.

A person is present "in the city" if, whether itself or by its employees, agents, representatives, independent contractors, brokers or others acting on its behalf, it (a) is physically present in the city, or (b) endeavors to maintain a share of the market within the city, or (c) avails itself of the economic benefits of the city. The city expressly intends that nexus extend to the limits allowed by law and the Constitutions of the United States and the state of Washington. Nexus is presumed to continue as long as the taxpayer benefits from the activity that constituted the original nexus generating contact by subsequent contacts.

"Extracting" is the activity engaged in by an extractor and is reportable under the extracting classification.

"Extractor" means every person who, from the person's own land or from the land of another under a right or license granted by lease or contract, either directly or by contracting with others for the necessary labor or mechanical services, for sale or for commercial or industrial use, mines, quarries, takes or produces coal, oil, natural gas, ore, stone, sand, gravel, clay, mineral or other natural resource product; or fells, cuts or takes timber, Christmas trees, other than plantation Christmas trees, or other natural products; or takes fish, or takes, cultivates, or raises shellfish, or other sea or inland water foods or products. "Extractor" does not include persons performing under contract the necessary labor or mechanical services for others; or persons meeting the definition of "farmer."

"Extractor for hire" means a person who performs under contract necessary labor or mechanical services for an extractor.

"Gross income of the business" means the value proceeding or accruing by reason of the transaction of the business engaged in and includes gross proceeds of sales, compensation for the rendition of services, gains realized from trading in stocks, bonds, or other evidences of indebtedness, interest, discount, rents, royalties, fees, commissions, dividends, and other emoluments, however designated, all without any deduction on account of the cost of tangible property sold, the cost of materials used, labor costs, interest, discount, delivery

costs, taxes, or any other expense whatsoever paid or accrued and without any deduction on account of losses.

“Gross proceeds of sales” means the value proceeding or accruing from the sale of tangible or intangible personal property, digital goods, digital codes, digital automated services or for other services rendered, without any deduction on account of the cost of property sold, the cost of materials used, labor costs, interest, discount paid, delivery costs, taxes, or any other expense whatsoever paid or accrued and without any deduction on account of losses.

“In this city” or “within this city” includes all federal areas lying within the corporate city limits of the city of Everett.

B. Definitions, J—R.

Manufacturer, To Manufacture.

1. “Manufacturer” means every person who, either directly or by contracting with others for the necessary labor or mechanical services, manufactures for sale or for commercial or industrial use, from the person’s own materials or ingredients, any products. When the owner of equipment or facilities furnishes, or sells to the customer prior to manufacture, materials or ingredients equal to less than twenty percent of the total value of all materials or ingredients that become a part of the finished product, the owner of the equipment or facilities will be deemed to be a processor for hire, and not a manufacturer. A business not located in this city that is the owner of materials or ingredients processed for it in this city by a processor for hire shall be deemed to be engaged in business as a manufacturer in this city.

2. “To manufacture” means all activities of a commercial or industrial nature wherein labor or skill is applied, by hand or machinery, to materials or ingredients so that as a result thereof a new, different or useful product is produced for sale or commercial or industrial use, and shall include:

- a. The production of special-made or custom-made articles;
- b. The production of dental appliances, devices, restorations, substitutes, or other dental laboratory products by a dental laboratory or dental technician;
- c. Crushing and/or blending of rock, sand, stone, gravel, or ore;

d. The producing of articles for sale or for commercial or industrial use from raw materials or prepared materials by giving such materials, articles, and substances of trade or commerce new forms, qualities, properties or combinations including, but not limited to, such activities as making, fabricating, processing, refining, mixing, slaughtering, packing, aging, curing, mild curing, preserving, canning, and the preparing and freezing of fresh fruits and vegetables.

“To manufacture” shall not include the production of digital goods or the production of computer software if the computer software is delivered from the seller to the purchaser by means other than tangible storage media, including the delivery by use of a tangible storage media where the tangible storage media is not physically transferred to the purchaser.

“Manufacturing” means the activity conducted by a manufacturer and is reported under the manufacturing classification.

Newspaper, Magazine, Periodical.

“Newspaper” means a publication offered for sale regularly at stated intervals at least once a week and printed on newsprint in tabloid or broadsheet format folded loosely together without stapling, glue, or any other binding of any kind. “Magazine” or “periodical” means any printed publication, other than a newspaper, issued and offered for sale regularly at stated intervals at least once every three months, including any supplement or special edition of the publication. Any publication meeting this definition qualifies regardless of its content.

“Nonprofit corporation” or “nonprofit organization” means a corporation or organization in which no part of the income can be distributed to its members, directors, or officers and that holds a current tax exempt status as provided under Section 501(c)(3) of the Internal Revenue Code, as hereafter amended, or is specifically exempted from the requirement to apply for its tax exempt status under Section 501(c)(3) of the Internal Revenue Code, as hereafter amended. Where the term “nonprofit organization” is used, it is meant to include a nonprofit corporation.

“Office” or “place of business” means a fixed location or permanent facility where the regular business of the person is conducted and which is either owned by the person or over which the person exercises legal dominion and control. The regular business of the person is presumed conducted at a location:

1. Whose address the person uses as its business mailing address;

2. Containing a telephone line listed in a public telephone directory or other similar publication under the business name;
3. Where the person holds itself out to the general public as conducting its regular business through signage or other means; and
4. Where the person is required to obtain any appropriate state and local business license or registration unless they are exempted by law from such requirement. A vehicle such as a pick-up, van, truck, boat or other motor vehicle is not an office or place of business. A post office box is not an office or place of business. If a person has an office or place of business, the person's home is not an office or place of business unless it meets the criteria for office or place of business above. If a person has no office or place of business, the person's home or apartment within the city will be deemed the place of business.

"Person" means any individual, receiver, administrator, executor, assignee, trustee in bankruptcy, trust, estate, firm, co-partnership, joint venture, club, company, joint stock company, business trust, municipal corporation, political subdivision of the state of Washington, corporation, limited liability company, association, society, or any group of individuals acting as a unit, whether mutual, cooperative, fraternal, nonprofit, or otherwise, and the United States or any instrumentality thereof.

"Processing for hire" means the performance of labor and mechanical services upon materials or ingredients belonging to others so that as a result a new, different or useful product is produced for sale, or commercial or industrial use. A processor for hire is any person who would be a manufacturer if that person were performing the labor and mechanical services upon that person's own materials or ingredients. If a person adds materials or ingredients equal to twenty percent or more of the total value of all materials or ingredients that become a part of the finished product, the person will be deemed to be a manufacturer and not a processor for hire.

Product, Byproduct.

1. "Product" means tangible personal property, including articles, substances, or commodities created, brought forth, extracted, or manufactured by human or mechanical effort.
2. "Byproduct" means any additional product, other than the principal or intended product, which results from extracting or manufacturing activities and which has a market value, without regard to whether or not such additional product was an expected or intended result of the extracting or manufacturing activities.

“Public road construction” means the building, repairing, or improving of any street, place, road, highway, easement, right-of-way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle which is owned by a municipal corporation or political subdivision of the state or by the United States and which is used or to be used primarily for foot or vehicular traffic including mass transportation vehicles of any kind.

“Retail service” shall include the sale of or charge made for personal, business, or professional services including amounts designated as interest, rents, fees, admission, and other service emoluments, however designated, received by persons engaging in the following business activities:

1. Amusement and recreation services including but not limited to golf, pool, billiards, skating, bowling, swimming, bungee jumping, ski lifts and tows, basketball, racquet ball, handball, squash, tennis, batting cages, day trips for sightseeing purposes, and others, when provided to consumers. “Amusement and recreation services” also includes the provision of related facilities such as basketball courts, tennis courts, handball courts, swimming pools, and charges made for providing the opportunity to dance. The term “amusement and recreation services” does not include instructional lessons to learn a particular activity such as tennis lessons, swimming lessons, or archery lessons;
2. Abstract, title insurance, and escrow services;
3. Credit bureau services;
4. Automobile parking and storage garage services;
5. Landscape maintenance and horticultural services but excluding (a) horticultural services provided to farmers, and (b) pruning, trimming, repairing, removing, and clearing of trees and brush near electric transmission or distribution lines or equipment, if performed by or at the direction of an electric utility;
6. Service charges associated with tickets to professional sporting events; and
7. The following personal services: physical fitness services, tanning salon services, tattoo parlor services, steam bath services, Turkish bath services, escort services, and dating services;
8. The term shall also include the renting or leasing of tangible personal property to consumers and the rental of equipment with an operator.

“Retailing” means the activity of engaging in making sales at retail and is reported under the retailing classification.

“Royalties” means compensation for the use of intangible property, such as copyrights, patents, licenses, franchises, trademarks, trade names, and similar items.

C. Definitions, S—W.

Sale, Casual or Isolated Sale.

1. “Sale” means any transfer of the ownership of, title to, or possession of property for a valuable consideration and includes any activity classified as a “sale at retail” or “retail sale.” It includes renting or leasing, conditional sale contracts, leases with option to purchase, and any contract under which possession of the property is given to the purchaser but title is retained by the vendor as security for the payment of the purchase price. It also includes the furnishing of food, drink, or meals for compensation whether consumed upon the premises or not.
2. “Casual or isolated sale” means a sale made by a person who is not engaged in the business of selling the type of property involved on a routine or continuous basis.

Sale at Retail, Retail Sale.

1. “Sale at retail” or “retail sale” means every sale of tangible personal property (including articles produced, fabricated, or imprinted) to all persons irrespective of the nature of their business and including, among others, without limiting the scope hereof, persons who install, repair, clean, alter, improve, construct, or decorate real or personal property of or for consumers, other than a sale to a person who presents a resale certificate under RCW [82.04.470](#) and who:
 - a. Purchases for the purpose of resale as tangible personal property in the regular course of business without intervening use by such person; or
 - b. Installs, repairs, cleans, alters, imprints, improves, constructs, or decorates real or personal property of or for consumers, if such tangible personal property becomes an ingredient or component of such real or personal property without intervening use by such person; or
 - c. Purchases for the purpose of consuming the property purchased in producing for sale a new article of tangible personal property or substance, of which such property becomes an ingredient or component or is a chemical used in processing, when the primary purpose of such chemical is to create a chemical reaction directly through contact with an ingredient of a new article being produced for sale; or

d. Purchases for the purpose of consuming the property purchased in producing ferrosilicon which is subsequently used in producing magnesium for sale, if the primary purpose of such property is to create a chemical reaction directly through contact with an ingredient of ferrosilicon; or

e. Purchases for the purpose of providing the property to consumers as part of competitive telephone service, as defined in RCW [82.04.065](#). The term shall include every sale of tangible personal property which is used or consumed or to be used or consumed in the performance of any activity classified as a “sale at retail” or “retail sale” even though such property is resold or utilized as provided in subsection (1)(a), (b), (c), (d), or (e) of this definition following such use.

2. “Sale at retail” or “retail sale” also means every sale of tangible personal property to persons engaged in any business taxable under Section [3.24.050](#)(A)(7).

3. “Sale at retail” or “retail sale” shall include the sale of or charge made for tangible personal property consumed and/or labor and services rendered in respect to the following:

a. The installing, repairing, cleaning, altering, imprinting, or improving of tangible personal property of or for consumers, including charges made for the mere use of facilities in respect thereto, but excluding charges made for the use of coin-operated laundry facilities when such facilities are situated in an apartment house, rooming house, or mobile home park for the exclusive use of the tenants thereof, and also excluding sales of laundry service to nonprofit health care facilities, and excluding services rendered in respect to live animals, birds and insects;

b. The constructing, repairing, decorating, or improving of new or existing buildings or other structures under, upon, or above real property of or for consumers, including the installing or attaching of any article of tangible personal property therein or thereto, whether or not such personal property becomes a part of the realty by virtue of installation; and shall also include the sale of services or charges made for the clearing of land and the moving of earth excepting the mere leveling of land used in commercial farming or agriculture;

c. The charge for labor and services rendered in respect to constructing, repairing, or improving any structure upon, above, or under any real property owned by an owner who conveys the property by title, possession, or any other means to the person performing such construction, repair, or improvement for the purpose of performing such construction, repair, or improvement and the property is then reconveyed by title, possession, or any other means to the original owner;

d. The sale of or charge made for labor and services rendered in respect to the cleaning, fumigating, razing or moving of existing buildings or structures, but shall not include the charge made for janitorial services, and for purposes of this section the term “janitorial services” shall mean those cleaning and caretaking services ordinarily performed by commercial janitor service businesses including, but not limited to, wall and window washing, floor cleaning and waxing, and the cleaning in place of rugs, drapes and upholstery. The term “janitorial services” does not include painting, papering, repairing, furnace or septic tank cleaning, snow removal or sandblasting;

e. The sale of or charge made for labor and services rendered in respect to automobile towing and similar automotive transportation services, but not in respect to those required to report and pay taxes under Chapter [82.16](#) RCW;

f. The sale of and charge made for the furnishing of lodging and all other services, except the provision of telephone business, by a hotel, rooming house, tourist court, motel, trailer camp, and the granting of any similar license to use real property, as distinguished from the renting or leasing of real property, and it shall be presumed that the occupancy of real property for a continuous period of one month or more constitutes a rental or lease of real property and not a mere license to use or enjoy the same;

g. The installing, repairing, altering, or improving of digital goods for consumers;

h. The sale of or charge made for tangible personal property, labor and services to persons taxable under subsections (3)(a), (b), (c), (d), (e), (f), and (g) of this definition when such sales or charges are for property, labor and services which are used or consumed in whole or in part by such persons in the performance of any activity defined as a “sale at retail” or “retail sale” even though such property, labor and services may be resold after such use or consumption. Nothing contained in this subsection shall be construed to modify subsection 1 of this definition and nothing contained in subsection 1 of this definition shall be construed to modify this subsection.

4. “Sale at retail” or “retail sale” shall also include the providing of competitive telephone service to consumers, as defined in RCW [82.04.065](#).

5.a. “Sale at retail” or “retail sale” shall also include the sale of prewritten software other than a sale to a person who presents a resale certificate under RCW [82.04.470](#), regardless of the method of delivery to the end user. For purposes of this subsection (5)(a) the sale of prewritten computer software includes the sale of or charge made for a key or an enabling or activation code, where the key or code is required to activate prewritten computer software and put the software into use. There is no separate sale of the key or code from

the prewritten computer software, regardless of how the sale may be characterized by the vendor or by the purchaser.

The term “sale at retail” or “retail sale” does not include the sale of or charge made for:

(1) Custom software; or

(2) The customization of prewritten software.

b.(1) The term also includes the charge made to consumers for the right to access and use prewritten computer software, where possession of the software is maintained by the seller or a third party, regardless of whether the charge for the service is on a per use, per user, per license, subscription, or some other basis.

(2)(A) The service described in subsection (5)(b)(1) of this definition includes the right to access and use prewritten software to perform data processing.

(B) For purposes of this subsection (5)(b)(2) “data processing” means the systematic performance of operations on data to extract the required information in an appropriate form or to convert the data to usable information. Data processing includes check processing, image processing, form processing, survey processing, payroll processing, claim processing, and similar activities.

6. “Sale at retail” or “retail sale” shall also include the sale of or charge made for labor and services rendered in respect to the building, repairing, or improving of any street, place, road, highway, easement, right-of-way, mass public transportation terminal or parking facility, bridge, tunnel, or trestle which is owned by a municipal corporation or political subdivision of the state, the state of Washington, or by the United States and which is used or to be used primarily for foot or vehicular traffic including mass transportation vehicles of any kind (public road construction).

7. “Sale at retail” or “retail sale” shall also include the sale of or charge made for an extended warranty to a consumer. For purposes of this subsection, “extended warranty” means an agreement for a specified duration to perform the replacement or repair of tangible personal property at no additional charge or a reduced charge for tangible personal property, labor, or both, or to provide indemnification for the replacement or repair of tangible personal property, based on the occurrence of specified events. The term “extended warranty” does not include an agreement, otherwise meeting the definition of “extended warranty” in this subsection, if no separate charge is made for the agreement and the value of the agreement is included in the sales price of the tangible personal property covered by the agreement.

8. “Sale at retail” or “retail sale” shall also include the sale of or charge made for labor and services rendered in respect to the constructing, repairing, decorating, or improving of new or existing buildings or other structures under, upon, or above real property of or for the United States, any instrumentality thereof, or a county or city housing authority created pursuant to Chapter [35.82](#) RCW, including the installing, or attaching of any article of tangible personal property therein or thereto, whether or not such personal property becomes a part of the realty by virtue of installation (government contracting).

9. “Sale at retail” or “retail sale” shall not include the sale of services or charges made for the clearing of land and the moving of earth of or for the United States, any instrumentality thereof, or a county or city housing authority. Nor shall the term include the sale of services or charges made for cleaning up for the United States, or its instrumentalities, radioactive waste and other byproducts of weapons production and nuclear research and development. (This should be reported under the service and other classification.)

10. “Sale at retail” or “retail sale” shall not include the sale of or charge made for labor and services rendered for environmental remedial action. (This should be reported under the service and other classification.)

11. “Sale at retail” or “retail sale” shall also include the following sales to consumers of digital goods, digital codes, and digital automated services:

- a. Sales in which the seller has granted the purchaser the right of permanent use;
- b. Sales in which the seller has granted the purchaser a right of use that is less than permanent;
- c. Sales in which the purchaser is not obligated to make continued payment as a condition of the sale; and
- d. Sales in which the purchaser is obligated to make continued payment as a condition of the sale.

A retail sale of digital goods, digital codes, or digital automated services under this subsection includes any services provided by the seller exclusively in connection with the digital goods, digital codes, or digital automated services, whether or not a separate charge is made for such services.

For purposes of this subsection, “permanent” means perpetual or for an indefinite or unspecified length of time. A right of permanent use is presumed to have been granted unless the agreement between the seller and the purchaser specifies or the circumstances surrounding the transaction suggest or indicate that the right to use terminates on the occurrence of a condition subsequent.

12. "Sale at retail" or "retail sale" shall also include the installing, repairing, altering, or improving of digital goods for consumers.

"Sale at wholesale" or "wholesale sale" means any sale of tangible personal property, digital goods, digital codes, digital automated services, prewritten computer software, or services described in subsection (5)(b)(1) of the definition of "sale at retail" or "retail sale" which is not a retail sale, and any charge made for labor and services rendered for persons who are not consumers, in respect to real or personal property and retail services, if such charge is expressly defined as a retail sale or retail service when rendered to or for consumers. Sale at wholesale also includes the sale of telephone business to another telecommunications company as defined in RCW [80.04.010](#) for the purpose of resale, as contemplated by RCW [35.21.715](#).

Services, Personal Services.

The term "services" or "personal services," as used herein, refers generally to the activity of rendering services as distinct from making sales of tangible personal property or of services which have been defined in RCW [82.04.040](#) and [82.04.050](#) and WAC [458-20-138](#). Persons performing services or personal services include persons rendering professional or personal services to persons (as distinguished from services rendered to the personal property of persons) such as, but not limited to, this enumeration: accountants, aerial surveyors, agents, ambulances, appraisers, architects, assayers, attorneys, automobile brokers, barbers, baseball clubs, beauty shop operators, brokers, chemists, chiropractors, collection agents, community television antenna owners, court reporters, dentists, detectives, doctors, employment agents, engineers, financiers, funeral directors, refuse collectors, hospital owners, janitors, kennel operators, laboratory operators, landscape architects, lawyers, loan agents, map makers, music teachers, oculists, orchestra or band leaders contracting to provide musical services, osteopathic physicians, physicians, public accountants, public stenographers, real estate agents, school bus operators, school operators, sewer services other than collection, warehouse operators who are not subject to other specific statutory tax classifications, teachers, theater operators, undertakers and veterinarians, and other persons engaging in the business of serving persons.

Persons performing "services" or "personal services" do not include persons engaged in the business of cleaning, repairing, improving, etc., the personal property of others, such as automobile, house, jewelry, radio, refrigerator and machinery repairmen, laundry or dry cleaners. Also not included are certain personal and professional services specifically included within the definition of the term "sale at retail" in this section, such as amusement and recreation businesses of a participatory nature; abstract, title insurance and escrow businesses; credit bureau businesses and automobile parking and storage garage businesses. Not included

are persons who render services to others in the capacity of employees as distinguished from independent contractors.

Persons engaged in the business of rendering services to others are taxable under the sales of retail services classification upon the gross income of such business under Section [3.24.050\(A\)\(6\)](#).

There must be included within gross amounts reported for tax all fees for services rendered and all charges recovered for expenses incurred in connection therewith, such as transportation costs, hotel, restaurant, telephone, copy, printing, computer time and other expenses charged in providing the services.

[Comment: RCW [35.102.120](#) requires that the model ordinance include this definition. However, no explicit definition will be included in the model ordinance until the RCW contains a definition of “service.” In the absence of a definition of “service” in state law, the city will use the above definition and will tax it under sales of retail services under Section 3.24.050(A)(6).]

Software, Prewritten Software, Custom Software, Customization of Canned Software, Master Copies, Retained Rights.

1. “Prewritten software” or “canned software” means computer software, including prewritten upgrades, that is not designed and developed by the author or other creator to the specifications of a specific purchaser. The combining of two or more prewritten computer software programs or prewritten portions thereof does not cause the combination to be other than prewritten computer software. Prewritten computer software includes software designed and developed by the author or other creator to the specifications of a specific purchaser when it is sold to a person other than such purchaser. Where a person modifies or enhances computer software of which such person is not the author or creator, the person shall be deemed to be the author or creator only of the person's modifications or enhancements. Prewritten computer software or a prewritten portion thereof that is modified or enhanced to any degree, where such modification or enhancement is designed and developed to the specifications of a specific purchaser, remains prewritten computer software; however, where there is a reasonable, separately stated charge or an invoice or other statement of the price given to the purchaser for the modification or enhancement, the modification or enhancement shall not constitute prewritten computer software.
2. “Custom software” means software created for a single person.
3. “Customization of canned software” means any alteration, modification, or development of applications using or incorporating canned software to specific individualized requirements of a single person.

Customization of canned software includes individualized configuration of software to work with other software and computer hardware but does not include routine installation. Customization of canned software does not change the underlying character or taxability of the original canned software.

4. “Master copies” of software means copies of software from which a software developer, author, inventor, publisher, licensor, sublicensor, or distributor makes copies for sale or license. The software encoded on a master copy and the media upon which the software resides are both ingredients of the master copy.

5. “Retained rights” means any and all rights, including intellectual property rights such as those rights arising from copyrights, patents, and trade secret laws, that are owned or are held under contract or license by a software developer, author, inventor, publisher, licensor, sublicensor, or distributor.

6. “Software” means any information, program, or routine, or any set of one or more programs, routines, or collections of information, used, or intended for use, to convey information that causes one or more computers or pieces of computer-related peripheral equipment, or any combination thereof, to perform a task or set of tasks. “Software” includes the associated documentation, materials, or ingredients, regardless of the media upon which that documentation is provided, that describes the code and its use, operation, and maintenance and that typically is delivered with the code to the consumer. All software is classified as either canned or custom.

“Taxpayer” means any person, as herein defined, required to have a business license under this chapter or liable for the collection of any tax or fee under this chapter, or who engages in any business or who performs any act for which a tax or fee is imposed by this chapter.

“Tuition fee” includes library, laboratory, health service and other special fees, and amounts charged for room and board by an educational institution when the property or service for which such charges are made is furnished exclusively to the students or faculty of such institution. “Educational institution,” as used in this section, means only those institutions created or generally accredited as such by the state and includes educational programs that such educational institution cosponsors with a nonprofit organization, as defined by the Internal Revenue Code Section 501(c)(3), if such educational institution grants college credit for coursework successfully completed through the educational program, or an approved branch campus of a foreign degree-granting institution in compliance with Chapter [28B.90](#) RCW, and in accordance with RCW [82.04.4332](#) or defined as a degree-granting institution under RCW [28B.85.010](#)(3) and accredited by an accrediting association recognized by the United States Secretary of Education, and offering to students an educational program of a general academic nature or those institutions which are not operated for profit and

which are privately endowed under a deed of trust to offer instruction in trade, industry, and agriculture, but not including specialty schools, business colleges, other trade schools, or similar institutions.

Value of Products.

1. The value of products, including byproducts, extracted or manufactured, shall be determined by the gross proceeds derived from the sale thereof whether such sale is at wholesale or at retail, to which shall be added all subsidies and bonuses received from the purchaser or from any other person with respect to the extraction, manufacture, or sale of such products or byproducts by the seller.

2. Where such products, including byproducts, are extracted or manufactured for commercial or industrial use; and where such products, including byproducts, are shipped, transported or transferred out of the city, or to another person, without prior sale or are sold under circumstances such that the gross proceeds from the sale are not indicative of the true value of the subject matter of the sale; the value shall correspond as nearly as possible to the gross proceeds from sales in this state of similar products of like quality and character, and in similar quantities by other taxpayers, plus the amount of subsidies or bonuses ordinarily payable by the purchaser or by any third person with respect to the extraction, manufacture, or sale of such products. In the absence of sales of similar products as a guide to value, such value may be determined upon a cost basis. In such cases, there shall be included every item of cost attributable to the particular article or article extracted or manufactured, including direct and indirect overhead costs. The director may prescribe rules for the purpose of ascertaining such values.

3. Notwithstanding subsection 2 of this definition, the value of a product manufactured or produced for purposes of serving as a prototype for the development of a new or improved product shall correspond to (a) the retail selling price of such new or improved product when first offered for sale; or (b) the value of materials incorporated into the prototype in cases in which the new or improved product is not offered for sale.

“Value proceeding or accruing” means the consideration, whether money, credits, rights, or other property expressed in terms of money, a person is entitled to receive or which is actually received or accrued. The term shall be applied, in each case, on a cash receipts or accrual basis according to which method of accounting is regularly employed in keeping the books of the taxpayer.

“Wholesaling” means engaging in the activity of making sales at wholesale, and is reported under the wholesaling classification. (Ord. 3304-12 § 1, 2012; Ord. 3042-07 § 1, 2007; Ord. 2810-04 § 1 (part), 2004)

3.24.040 Agency—Sales and services by agent, consignee, bailee, factor or auctioneer.



A. Sales in Own Name—Sales or Purchases as Agent. Every person, including agents, consignees, bailees, factors or auctioneers, having either actual or constructive possession of tangible personal property or having possession of the documents of title thereto, with power to sell such tangible personal property in his or her or its own name and actually so selling, shall be deemed the seller of such tangible personal property within the meaning of this chapter. The burden shall be upon the taxpayer in every case to establish the fact that such taxpayer is not engaged in the business of selling tangible personal property but is acting merely as broker or agent in promoting sales or making purchases for a principal. Such claim will be recognized only when the contract or agreement between such persons clearly establishes the relationship of principal and agent and when the following conditions are complied with:

1. The books and records of the broker or agent show the transactions were made in the name and for the account of the principal, and show the name of the actual owner of the property for whom the sale was made, or the actual buyer for whom the purchase was made.
2. The books and records show the amount of the principal's gross sales, the amount of commissions and any other incidental income derived by the broker or agent from such sales. The principal's gross sales must not be reflected as the agent's income on any of the agent's books and records. Commissions must be computed according to a set percentage or amount, which is agreed upon in the agency agreement.
3. No ownership rights may be conferred to the agent unless the principal refuses to pay or refuses to abide by the agency agreement. Sales or purchases of any goods by a person who has any ownership rights in such goods shall be taxed as retail or wholesale sales.
4. Bulk goods sold or purchased on behalf of a principal must not be comingled with goods belonging to another principal or lose their identity as belonging to the particular principal. Sales or purchases of any goods which have been comingled or lost their identity as belonging to the principal shall be taxed as retail or wholesale sales.

B. If the above requirements are not met, the consignor, bailor, principal or other shall be deemed a seller of such property to the agent, consignee, bailee, factor or auctioneer.

C. Services in Own Name—Procuring Services as Agent. For purposes of this subsection, an agent is a person who acts under the direction and control of the principal in procuring services on behalf of the principal

that the person could not itself render or supply. Amounts received by an agent for the account of its principal as advances or reimbursements are exempted from the measure of the tax only when the agent is not primarily or secondarily liable to pay for the services procured.

Any person who claims to be acting merely as agent in obtaining services for a principal will have such claim recognized only when the contract or agreement between such persons clearly establishes the relationship of principal and agent and when the following conditions are complied with:

1. The books and records of the agent show that the services were obtained in the name and for the account of the principal, and show the actual principal for whom the purchase was made.
2. The books and records show the amount of the service that was obtained for the principal, the amount of commissions and any other income derived by the agent for acting as such. Amounts received from the principal as advances and reimbursements must not be reflected as the agent's income on any of the agent's books and records. Commissions must be computed according to a set percentage or amount, which is agreed upon in the agency agreement. (Ord. 2810-04 § 1 (part), 2004)

3.24.045 Code clarification.



A. Findings and Purpose. The city of Everett, the state of Washington, the Port of Everett, and the Boeing Company on December 19, 2003, entered into the "Project Olympus Master Site Development and Location Agreement" concerning the location in the city of the facility for the manufacturing of the aircraft commonly referred to as the 7E7. The purpose of said agreement was to assist Boeing in obtaining a suitable site including buildings, related facilities, infrastructure, and other improvements for the location of the final assembly of the 7E7 aircraft and other operations related thereto. As a result of diligent good faith negotiations, the city and Boeing have agreed on a business and occupation tax reduction to be permanent for the calendar years 2006 through 2023. During such period the city agrees not to suspend, revoke, or require repayment of such reduction as authorized by its business and occupation tax reduction; provided, that final assembly of the 7E7 aircraft begins by December 31, 2007. The rate reduction by the city is intended by the parties to create an estimated net present value reduction of approximately thirty-five million dollars, which amount is calculated using a six percent discount over a twenty-year period beginning 2004 and based on current estimated aircraft production and sales.

B. Intent. In 2002 the city enacted Ordinance No. 2582-02, relating to business and occupation tax. Ordinance No. 2759-04 subsequently made several changes to the city's business and occupation tax provisions and was to become effective on January 1, 2006. Thereafter, the city adopted Ordinance No. 2810-

04 which repealed Ordinance No. 2582-02 and replaced it with business and occupation tax provisions mandated by state law. Thus, upon becoming effective, Ordinance No. 2759-04 was no longer amendatory, but also was not repealed.

Despite not being reflected in the city code, Ordinance No. 2759-04 has continuously evidenced a clear legislative intent that its provisions apply to the city's business and occupation tax provisions since becoming effective on January 1, 2006. Nevertheless, the council now desires to resolve any potential ambiguity concerning Ordinance No. 2759-04's effectiveness and to retroactively enact the provisions of Ordinance No. 2759-04. (Ord. 3175-10 § 5A, 2010)

3.24.050 Imposition of the tax—Tax or fee levied.



A. Except as provided in subsection B of this section, there is hereby levied upon and shall be collected from every person a tax for the act or privilege of engaging in business activities within the city, whether the person's office or place of business be within or without the city. The tax shall be in amounts to be determined by application of rates against gross proceeds of sale, gross income of business, or value of products, including byproducts, as the case may be, as follows:

1. Upon every person engaging within the city in business as an extractor; as to such persons the amount of the tax with respect to such business shall be equal to the value of the products, including byproducts, extracted for sale or for commercial or industrial use, multiplied by the rate of one-tenth of one percent. The measure of the tax is the value of the products, including byproducts, so extracted, regardless of the place of sale or the fact that deliveries may be made to points outside the city.

2. Upon every person engaging within the city in business as a manufacturer; as to such persons the amount of the tax with respect to such business shall be equal to the value of the products, including byproducts, manufactured, multiplied by the rate of one-tenth of one percent, except as provided as follows:

a. For the years beginning January 1, 2006, and ending December 31, 2009, upon every person engaging within the city in business as a manufacturer; as to such persons the amount of the tax with respect to such business shall be equal to the value of the products, including byproducts, manufactured, multiplied by the rate of one-tenth of one percent where such value is up to and including six billion dollars and where such value exceeds six billion dollars, the value of such products so exceeding the six billion dollars shall be multiplied by the rate of twenty-five-hundredths of one percent;

b. For the years beginning January 1, 2010, and ending December 31, 2015, upon every person engaging within the city in business as a manufacturer, as to such persons the amount of the tax with respect to such business shall be equal to the value of the products, including byproducts, manufactured, multiplied by the rate of one-tenth of one percent where such value is up to and including seven billion dollars and where such value exceeds seven billion dollars, the value of such products so exceeding the seven billion dollars shall be multiplied by the rate of twenty-five-hundredths of one percent;

c. For the years beginning January 1, 2016, and ending December 31, 2023, upon every person engaging within the city in business as a manufacturer; as to such persons the amount of the tax with respect to such business shall be equal to the value of the products, including byproducts, manufactured, multiplied by the rate of one-tenth of one percent where such value is up to and including eight billion dollars and where such value exceeds eight billion dollars, the value of such products so exceeding the eight billion dollars shall be multiplied by the rate of twenty-five-hundredths of one percent;

d. For the years beginning January 1, 2024, upon every person engaging within the city in business as a manufacturer; as to such person the amount of the tax with respect to such business shall be equal to the value of the products, including byproducts, manufactured, multiplied by the rate of one-tenth of one percent.

With respect to this subsection (A)(2), including subsections (A)(2)(a) through (d), the measure of the tax is the value of the products, including byproducts, so manufactured, regardless of the place of sale or the fact that deliveries may be made to points outside the city.

3. Upon every person engaging within the city in the business of making sales at wholesale, except persons taxable under subsection (A)(6) of this section; as to such persons, the amount of tax with respect to such business shall be equal to the gross proceeds of such sales of the business without regard to the place of delivery of articles, commodities or merchandise sold, multiplied by the rate of one-tenth of one percent.

4. Upon every person engaging within the city in the business of making sales at retail (including public road construction); as to such persons, the amount of tax with respect to such business shall be equal to the gross proceeds of such sales of the business without regard to the place of delivery of articles, commodities or merchandise sold, multiplied by the rate of one-tenth of one percent.

5. Upon every person engaging within the city in the business of (a) printing, (b) both printing and publishing newspapers, magazines, periodicals, books, music, and other printed items, (c) publishing newspapers, magazines and periodicals, (d) extracting for hire, and (e) processing for hire; as to such persons, the amount

of tax on such business shall be equal to the gross income of the business multiplied by the rate of one-tenth of one percent.

6. Upon every person engaging within the city in the business of making sales of retail services; as to such persons, the amount of tax with respect to such business shall be equal to the gross proceeds of sales multiplied by the rate of one-tenth of one percent.

7. Upon every other person engaging within the city in any business activity other than or in addition to those enumerated in the above subsections; as to such persons, the amount of tax on account of such activities shall be equal to the gross income of the business multiplied by the rate of one-tenth of one percent. This subsection includes, among others, and without limiting the scope hereof (whether or not title to material used in the performance of such business passes to another by accession, merger or other than by outright sale), persons engaged in the business of developing or producing custom software or of customizing canned software, producing royalties or commissions, and persons engaged in the business of rendering any type of service which does not constitute a sale at retail, a sale at wholesale, or a retail service.

B. The gross receipts tax imposed in this section shall not apply to any person whose gross proceeds of sales, gross income of the business, and value of products, including byproducts, as the case may be, from all activities conducted within the city during any calendar year is equal to or less than twenty thousand dollars, or is equal to or less than five thousand dollars during any quarter if on a quarterly reporting basis. (Ord. 3175-10 § 5C, 2010: Ord. 2810-04 § 1 (part), 2004)

3.24.060 Doing business with the city.

 SHARE

Repealed by Ord. 3304-12. (Ord. 2810-04 § 1 (part), 2004)

3.24.070 Multiple activities credit when activities take place in one or more cities with eligible gross receipt taxes.

 SHARE

A. Persons who engage in business activities that are within the purview of two or more subsections of Section [3.24.050](#) shall be taxable under each applicable subsection.

B. Notwithstanding anything to the contrary herein, if imposition of the city's tax would place an undue burden upon interstate commerce or violate constitutional requirements, a taxpayer shall be allowed a credit to the extent necessary to preserve the validity of the city's tax, and still apply the city tax to as much of the taxpayer's activities as may be subject to the city's taxing authority.

C. To take the credit authorized by this section, a taxpayer must be able to document that the amount of tax sought to be credited was paid upon the same gross receipts used in computing the tax against which the credit is applied.

D. Credit for Persons That Sell in the City Products That They Extract or Manufacture. Persons taxable under the retailing or wholesaling classification with respect to selling products in this city shall be allowed a credit against those taxes for any eligible gross receipts taxes paid (1) with respect to the manufacturing of the products sold in the city, and (2) with respect to the extracting of the products, or the ingredients used in the products, sold in the city. The amount of the credit shall not exceed the tax liability arising under this chapter with respect to the sale of those products.

E. Credit for Persons That Manufacture Products in the City Using Ingredients They Extract. Persons taxable under the manufacturing classification with respect to manufacturing products in this city shall be allowed a credit against those taxes for any eligible gross receipts tax paid with respect to extracting the ingredients of the products manufactured in the city. The amount of the credit shall not exceed the tax liability arising under this chapter with respect to the manufacturing of those products.

F. Credit for Persons That Sell Within the City Products That They Print, or Publish and Print. Persons taxable under the retailing or wholesaling classification with respect to selling products in this city shall be allowed a credit against those taxes for any eligible gross receipts taxes paid with respect to the printing, or the printing and publishing, of the products sold within the city. The amount of the credit shall not exceed the tax liability arising under this chapter with respect to the sale of those products. (Ord. 2810-04 § 1 (part), 2004)

3.24.075 Deductions to prevent multiple taxation of manufacturing activities and prior to January 1, 2008, transactions involving more than one city with an eligible gross receipts tax.



A. Amounts Subject to an Eligible Gross Receipts Tax in Another City That Also Maintains Nexus Over the Same Activity. For taxes due prior to January 1, 2008, a taxpayer that is subject to an eligible gross receipts tax on the same activity in more than one jurisdiction may be entitled to a deduction as follows:

1. A taxpayer that has paid an eligible gross receipts tax, with respect to a sale of goods or services, to a jurisdiction in which the goods are delivered or the services are provided may deduct an amount equal to the gross receipts used to measure that tax from the measure of the tax owed to the city.

2. Notwithstanding the above, a person that is subject to an eligible gross receipts tax in more than one jurisdiction on the gross income derived from intangibles such as royalties, trademarks, patents, or goodwill shall assign those gross receipts to the jurisdiction where the person is domiciled (its headquarters is located).

3. A taxpayer that has paid an eligible gross receipts tax on the privilege of accepting or executing a contract with another city may deduct an amount equal to the contract price used to measure the tax due to the other city from the measure of the tax owed to the city.

B. Person Manufacturing Products Within and Without. A person manufacturing products within the city using products manufactured by the same person outside the city may deduct from the measure of the manufacturing tax the value of products manufactured outside the city and included in the measure of an eligible gross receipts tax paid with respect to manufacturing such products. (Ord. 3042-07 § 2, 2007; Ord. 2810-04 § 1 (part), 2004)

3.24.076 Assignment of gross income derived from intangibles. SHARE

Gross income derived from the sale of intangibles such as royalties, trademarks, patents, or goodwill shall be assigned to the jurisdiction where the person is domiciled (its headquarters is located). (Ord. 2810-04 § 1 (part), 2004)

3.24.077 Allocation and apportionment of income when activities take place in more than one jurisdiction. SHARE

Effective January 1, 2008, gross income, other than persons subject to the provisions of Chapter [82.14A](#) RCW, shall be allocated and apportioned as follows:

A. Gross income derived from all activities other than those taxed as service or royalties under Section [3.24.050](#)(A)(7) shall be allocated to the location where the activity takes place.

B. In the case of sales of tangible personal property, the activity takes place where delivery to the buyer occurs.

C. In the case of sales of digital products, the activity takes place where delivery to the buyer occurs. The delivery of digital products will be deemed to occur at:

1. The seller's place of business if the purchaser receives the digital product at the seller's place of business;

2. If not received at the seller's place of business, the location where the purchaser or the purchaser's donee, designated as such by the purchaser, receives the digital product, including the location indicated by instructions for delivery to the purchaser or donee, known to the seller;

3. If the location where the purchaser or the purchaser's donee receives the digital product is not known, the purchaser's address maintained in the ordinary course of the seller's business when use of this address does not constitute bad faith;

4. If no address for the purchaser is maintained in the ordinary course of the seller's business, the purchaser's address obtained during the consummation of the sale, including the address of a purchaser's payment instrument, if no other address is available, when use of this address does not constitute bad faith; and

5. If no address for the purchaser is obtained during the consummation of the sale, the address where the digital good or digital code is first made available for transmission by the seller or the address from which the digital automated service or service described in RCW [82.04.050](#)(2)(g) or (6)(b) was provided, disregarding for these purposes any location that merely provided the digital transfer of the product sold.

D. If none of the methods in subsection C of this section for determining where the delivery of digital products occurs are available after a good faith effort by the taxpayer to apply the methods provided in subsections (C)(1) through (5) of this section, then the city and the taxpayer may mutually agree to employ any other method to effectuate an equitable allocation of income from the sale of digital products. The taxpayer will be responsible for petitioning the city to use an alternative method under this subsection D. The city may employ an alternative method for allocating the income from the sale of digital products if the methods provided in subsections (C)(1) through (5) of this section are not available and the taxpayer and the city are unable to mutually agree on an alternative method to effectuate an equitable allocation of income from the sale of digital products.

E. For purposes of subsections (C)(1) through (5) of this section, "receive" has the same meaning as in RCW [82.32.730](#).

F. Gross income derived from activities taxed as services and other activities taxed under Section [3.24.050](#)(A)(7) shall be apportioned to the city by multiplying apportionable income by a fraction, the numerator of which is the payroll factor plus the service-income factor and the denominator of which is two.

1. The payroll factor is a fraction, the numerator of which is the total amount paid in the city during the tax period by the taxpayer for compensation and the denominator of which is the total compensation paid everywhere during the tax period. Compensation is paid in the city if:

- a. The individual is primarily assigned within the city;
- b. The individual is not primarily assigned to any place of business for the tax period and the employee performs fifty percent or more of his or her service for the tax period in the city; or
- c. The individual is not primarily assigned to any place of business for the tax period, the individual does not perform fifty percent or more of his or her service in any city and the employee resides in the city.

2. The service-income factor is a fraction, the numerator of which is the total service income of the taxpayer in the city during the tax period, and the denominator of which is the total service income of the taxpayer everywhere during the tax period. Service income is in the city if:

- a. The customer location is in the city; or
- b. The income-producing activity is performed in more than one location and a greater proportion of the service-income-producing activity is performed in the city than in any other location, based on costs of performance, and the taxpayer is not taxable at the customer location; or
- c. The service-income-producing activity is performed within the city, and the taxpayer is not taxable in the customer location.

3. If the allocation and apportionment provisions of this subsection do not fairly represent the extent of the taxpayer's business activity in the city or cities in which the taxpayer does business, the taxpayer may petition for or the tax administrators may jointly require, in respect to all or any part of the taxpayer's business activity, that one of the following methods be used jointly by the cities to allocate or apportion gross income, if reasonable:

- a. Separate accounting;
- b. The use of a single factor;
- c. The inclusion of one or more additional factors that will fairly represent the taxpayer's business activity in the city; or

d. The employment of any other method to effectuate an equitable allocation and apportionment of the taxpayer's income.

G. The definitions in this subsection apply throughout this section.

1. "Apportionable income" means the gross income of the business taxable under the service classifications of a city's gross receipts tax, including income received from activities outside the city if the income would be taxable under the service classification if received from activities within the city, less any exemptions or deductions available.

2. "Compensation" means wages, salaries, commissions, and any other form of remuneration paid to individuals for personal services that are or would be included in the individual's gross income under the federal Internal Revenue Code.

3. "Individual" means any individual who, under the usual common law rules applicable in determining the employer-employee relationship, has the status of an employee of that taxpayer.

4. "Customer location" means the city or unincorporated area of a county where the majority of the contacts between the taxpayer and the customer take place.

5. "Primarily assigned" means the business location of the taxpayer where the individual performs his or her duties.

6. "Service-taxable income" or "service income" means gross income of the business subject to tax under either the service or royalty classification.

7. "Tax period" means the calendar year during which tax liability is accrued. If taxes are reported by a taxpayer on a basis more frequent than once per year, taxpayers shall calculate the factors for the previous calendar year for reporting in the current calendar year and correct the reporting for the previous year when the factors are calculated for that year, but not later than the end of the first quarter of the following year.

8. "Taxable in the customer location" means either that a taxpayer is subject to a gross receipts tax in the customer location for the privilege of doing business, or that the government where the customer is located has the authority to subject the taxpayer to gross receipts tax regardless of whether, in fact, the government does so.

H. Assignment or apportionment of revenue under this section shall be made in accordance with and in full compliance with the provisions of the interstate commerce clause of the United States Constitution where applicable. (Ord. 3304-12 § 2, 2012; Ord. 3042-07 § 3, 2007)

3.24.078 Allocation and apportionment of printing and publishing income when activities take place in more than one jurisdiction. SHARE

Notwithstanding RCW [35.102.130](#), effective January 1, 2008, gross income from the activities of printing, and of publishing newspapers, periodicals, or magazines, shall be allocated to the principal place in this state from which the taxpayer's business is directed or managed. As used in this section, the activities of printing, and of publishing newspapers, periodicals, or magazines, have the same meanings as attributed to those terms in RCW [82.04.280](#)(1) by the Department of Revenue. (Ord. 3042-07 § 4, 2007)

3.24.080 Engaging in business both within and without the city. SHARE

Repealed by Ord. 3175-10. (Ord. 2810-04 § 1 (part), 2004)

3.24.090 Exemption—Nonprofit corporations or nonprofit organizations. SHARE

This chapter shall not apply to nonprofit corporations or nonprofit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, except with respect to retail sales of such organizations. (Ord. 2810-04 § 1 (part), 2004)

3.24.095 Exemptions. SHARE

The provisions of this chapter shall not apply to the following:

A. Nonprofit Corporations or Nonprofit Organizations.

1. **Adult Family Homes.** This chapter does not apply to adult family homes which are licensed as such, or which are specifically exempt from licensing, under rules of the Washington State Department of Social and Health Services.
2. **Day Care Provided by Churches.** This chapter shall not apply to amounts derived by a church that is exempt from property tax under RCW [84.36.020](#) from the provision of care for children for periods of less than twenty-four hours.

3. Child Care Resource and Referral Services by Nonprofit Organizations. This chapter does not apply to nonprofit organizations in respect to amounts derived from the provision of child care resource and referral services.

4. Nonprofit Organizations That Are Guarantee Agencies, Issue Debt, or Provide Guarantees for Student Loans. This chapter does not apply to gross income received by nonprofit organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1954, as amended, that:

a. Are guarantee agencies under the federal guaranteed student loan program or that issue debt to provide or acquire student loans; or

b. Provide guarantees for student loans made through programs other than the federal guaranteed student loan program.

5. Nonprofit Organizations—Credit and Debt Services. This chapter does not apply to nonprofit organizations in respect to amounts derived from provision of the following services:

a. Presenting individual and community credit education programs including credit and debt counseling;

b. Obtaining creditor cooperation allowing a debtor to repay debt in an orderly manner;

c. Establishing and administering negotiated repayment programs for debtors; or

d. Providing advice or assistance to a debtor with regard to subsection (A)(5)(a), (b), or (c) of this section.

6. Certain Fraternal and Beneficiary Organizations. This chapter shall not apply to fraternal benefit societies or fraternal fire insurance associations, as described in RCW Title [48](#); nor to beneficiary corporations or societies organized under and existing by virtue of RCW Title [24](#), if such beneficiary corporations or societies provide in their bylaws for the payment of death benefits. Exemption is limited, however, to gross income from premiums, fees, assessments, dues or other charges directly attributable to the insurance or death benefits provided by such societies, associations, or corporations.

7. Certain Corporations Furnishing Aid and Relief. This chapter shall not apply to the gross sales or the gross income received by corporations which have been incorporated under any act of the Congress of the United States of America and whose principal purposes are to furnish volunteer aid to members of the armed forces of the United States and also to carry on a system of national and international relief and to apply the same in

mitigating the sufferings caused by pestilence, famine, fire, floods, and other national calamities and to devise and carry on measures for preventing the same.

8. Operation of Sheltered Workshops. This chapter shall not apply to income received from the Department of Social and Health Services for the cost of care, maintenance, support, and training of persons with developmental disabilities at nonprofit group training homes as defined by Chapter [71A.22](#) RCW or to the business activities of nonprofit organizations from the operation of sheltered workshops. For the purposes of this section, “the operation of sheltered workshops” means performance of business activities of any kind on or off the premises of such nonprofit organizations which are performed for the primary purpose of:

- a. Providing gainful employment or rehabilitation services to the handicapped as an interim step in the rehabilitation process for those who cannot be readily absorbed in the competitive labor market or during such time as employment opportunities for them in the competitive labor market do not exist; or
- b. Providing evaluation and work adjustment services for handicapped individuals.

9. Credit Unions. This chapter shall not apply to the gross income of credit unions organized under the laws of this state, any other state, or the United States.

B. Healthcare Exemption.

1. Health Maintenance Organization, Health Care Service Contractor, Certified Health Plan. Beginning on January 1, 2000, this chapter does not apply to any health maintenance organization, health care service contractor, or certified health plan in respect to premiums or prepayments that are taxable under RCW [48.14.0201](#).

C. Utility Exemption.

1. Public Utilities. This chapter shall not apply to any person in respect to a business activity with respect to which tax liability is specifically imposed under the provisions of Chapters [3.28](#) and [3.76](#).

D. Financial Exemptions.

1. Investments—Dividends from Subsidiary Corporations. This chapter shall not apply to amounts derived by persons, other than those engaging in banking, loan, security, or other financial businesses, from investments or the use of money as such, and also amounts derived as dividends by a parent from its subsidiary corporations.

2. International Banking Facilities. This chapter shall not apply to the gross receipts of an international banking facility.

As used in this section, an “international banking facility” means a facility represented by a set of asset and liability accounts segregated on the books and records of a commercial bank, the principal office of which is located in this state, and which is incorporated and doing business under the laws of the United States or of this state, a United States branch or agency of a foreign bank, an Edge corporation organized under Section 25(a) of the Federal Reserve Act, [12 U.S.C. 611](#) through [631](#), or an Agreement corporation having an agreement or undertaking with the Board of Governors of the Federal Reserve System under Section 25 of the Federal Reserve Act, [12 U.S.C. 601](#) through [604\(a\)](#), that includes only international banking facility time deposits (as defined in subsection (a)(2) of Section 204.8 of Regulation D ([12 CFR Part 204](#)), as promulgated by the Board of Governors of the Federal Reserve System), and international banking facility extensions of credit (as defined in subsection (a)(3) of Section 204.8 of Regulation D).

E. Miscellaneous Exemptions.

1. Insurance Business. This chapter shall not apply to amounts received by any person who is an insurer or their appointed insurance producer upon which a tax based on gross premiums is paid to the state pursuant to RCW [48.14.020](#); and provided further, that the provisions of this subsection shall not exempt any bonding company from tax with respect to gross income derived from the completion of any contract as to which it is a surety, or as to any liability as successor to the liability of the defaulting contractor.

2. Farmers—Agriculture. This chapter shall not apply to any farmer in respect to amounts received from selling fruits, vegetables, berries, butter, eggs, fish, milk, poultry, meats or any other agricultural product that is raised, caught, produced, or manufactured by such persons.

3. Athletic Exhibitions. This chapter shall not apply to any person in respect to the business of conducting boxing contests and sparring or wrestling matches and exhibitions for the conduct of which a license must be secured from the State Boxing Commission.

4. Racing. This chapter shall not apply to any person in respect to the business of conducting race meets for the conduct of which a license must be secured from the Washington State Horse Racing Commission.

5. Ride Sharing. This chapter does not apply to any funds received in the course of commuter ride sharing or ride sharing for persons with special transportation needs in accordance with RCW [46.74.010](#).

6. Employees.

a. This chapter shall not apply to any person in respect to his or her employment in the capacity as an employee or servant as distinguished from that of an independent contractor. For the purposes of this section, the definition of “employee” shall include those persons that are defined in Section 3121(d)(3)(B) of the Internal Revenue Code of 1986, as amended through January 1, 1991.

b. A booth renter, as defined by RCW [18.16.020](#), is an independent contractor for purposes of this chapter.

7. Amounts Derived from Sale of Real Estate. This chapter shall not apply to gross proceeds derived from the sale of real estate. This, however, shall not be construed to allow an exemption of amounts received as commissions from the sale of real estate, nor as fees, handling charges, discounts, interest or similar financial charges resulting from, or relating to, real estate transactions.

8. Mortgage Brokers’ Third-Party Provider Services Trust Accounts. This chapter shall not apply to amounts received from trust accounts to mortgage brokers for the payment of third-party costs if the accounts are operated in a manner consistent with RCW [19.146.050](#) and any rules adopted by the Director of Financial Institutions.

9. Amounts Derived from Manufacturing, Selling or Distributing Motor Vehicle Fuel. This chapter shall not apply to the manufacturing, selling, or distributing of motor vehicle fuel, as the term “motor vehicle fuel” is defined in RCW [82.36.010](#) and exempt under RCW [82.36.440](#); provided, that any fuel not subjected to the state fuel excise tax, or any other applicable deduction or exemption, will be taxable under this chapter.

10. Amounts Derived from Liquor, and the Sale or Distribution of Liquor. This chapter shall not apply to liquor as defined in RCW [66.04.010](#)(15) and exempt in RCW [66.08.120](#).

11. Casual and Isolated Sales. This chapter shall not apply to the gross proceeds derived from casual or isolated sales.

12. Accommodation Sales. This chapter shall not apply to sales for resale by persons regularly engaged in the business of making retail sales of the type of property so sold to other persons similarly engaged in the business of selling such property where (a) the amount paid by the buyer does not exceed the amount paid by the seller to the vendor in the acquisition of the article, and (b) the sale is made as an accommodation to the buyer to enable the buyer to fill a bona fide existing order of a customer or is made within fourteen days to reimburse in kind a previous accommodation sale by the buyer to the seller.

13. Taxes Collected as Trust Funds. This chapter shall not apply to amounts collected by the taxpayer from third parties to satisfy third party obligations to pay taxes such as the retail sales tax, use tax, and admission tax. (Ord. 3304-12 § 3, 2012; Ord. 2810-04 § 1 (part), 2004)

3.24.100 Deductions.

In computing the license fee or tax, there may be deducted from the measure of tax the following items:

A. Deductions for Nonprofit Organizations or Nonprofit Corporations.

1. Membership Fees and Certain Service Fees by Nonprofit Youth Organization. For purposes of this section, “nonprofit youth organization” means a nonprofit organization engaged in character building of youth which is exempt from property tax under RCW [84.36.030](#). In computing tax due under this chapter, there may be deducted from the measure of tax all amounts received by a nonprofit youth organization:

a. As membership fees or dues, irrespective of the fact that the payment of the membership fees or dues to the organization may entitle its members, in addition to other rights or privileges, to receive services from the organization or to use the organization's facilities; or

b. From members of the organization for camping and recreational services provided by the organization or for the use of the organization's camping and recreational facilities.

2. Fees, Dues, Charges. In computing tax, there may be deducted from the measure of tax amounts derived from bona fide:

a. Initiation fees;

b. Dues;

c. Contributions;

d. Donations;

e. Tuition fees;

f. Charges made by a nonprofit trade or professional organization for attending or occupying space at a trade show, convention, or educational seminar sponsored by the nonprofit trade or professional organization, which trade show, convention, or educational seminar is not open to the general public;

- g. Charges made for operation of privately operated kindergartens; and
- h. Endowment funds.

This section shall not be construed to exempt any person, association, or society from tax liability upon selling tangible personal property or upon providing facilities or services for which a special charge is made to members or others. If dues are in exchange for any significant amount of goods or services rendered by the recipient thereof to members without any additional charge to the member, or if the dues are graduated upon the amount of goods or services rendered, the value of such goods or services shall not be considered as a deduction under this section.

3. Day Care Activities. In computing tax, there may be deducted from the measure of tax amounts derived from day care activities by any organization organized and operated for charitable, educational, or other purposes which is exempt from taxation pursuant to Section 501(c)(3) of the Internal Revenue Code of 1954, as amended; provided, however, that amounts derived from selling, altering or repairing tangible personal property shall not be deductible.

B. Deductions Involving Government Entities.

1. Compensation from Public Entities for Health or Social Welfare Services—Exception. In computing tax, there may be deducted from the measure of tax amounts received from the United States or any instrumentality thereof or from the state of Washington or any municipal corporation or political subdivision thereof as compensation for, or to support, health or social welfare services rendered by a health or social welfare organization (as defined in RCW [82.04.431](#)) or by a municipal corporation or political subdivision, except deductions are not allowed under this section for amounts that are received under an employee benefit plan. For purposes of this section, “employee benefit plan” includes the military benefits program authorized in [10 U.S.C. 1071](#) et seq., as amended, or amounts payable pursuant thereto.

C. Deductions Involving Financial Activities and Interest Income.

1. Interest on Investments or Loans Secured by Mortgages or Deeds of Trust. In computing tax, there may be deducted from the measure of tax by those engaged in banking, loan, security or other financial businesses amounts derived from interest received on investments or loans primarily secured by first mortgages or trust deeds on nontransient residential properties.

2. Interest on Obligations of the State, Its Political Subdivisions, and Municipal Corporations. In computing tax, there may be deducted from the measure of tax by those engaged in banking, loan, security or other financial businesses amounts derived from interest paid on all obligations of the state of Washington, its political subdivisions, and municipal corporations organized pursuant to the laws thereof.

3. Interest on Loans to Farmers and Ranchers, Producers or Harvesters of Aquatic Products, or Their Cooperatives. In computing tax, there may be deducted from the measure of tax amounts derived as interest on loans to bona fide farmers and ranchers, producers or harvesters of aquatic products, or their cooperatives by a lending institution which is owned exclusively by its borrowers or members and which is engaged solely in the business of making loans and providing finance-related services to bona fide farmers and ranchers, producers or harvesters of aquatic products, their cooperatives, rural residents for housing, or persons engaged in furnishing farm-related or aquatic-related services to these individuals or entities.

D. Miscellaneous Deductions.

1. Receipts from Tangible Personal Property Delivered Outside the State. In computing tax, there may be deducted from the measure of tax under retailing or wholesaling amounts derived from the sale of tangible personal property that is received by the purchaser or its agent outside the state of Washington.

2. Cash Discount Taken by Purchaser. In computing tax, there may be deducted from the measure of tax the cash discount amounts actually taken by the purchaser. This deduction is not allowed in arriving at the taxable amount under the extractive or manufacturing classifications with respect to articles produced or manufactured, the reported values of which, for the purposes of this tax, have been computed according to the "value of product" provisions.

3. Credit Losses of Accrual Basis Taxpayers. In computing tax, there may be deducted from the measure of tax the amount of credit losses actually sustained by taxpayers whose regular books of account are kept upon an accrual basis.

4. Repair, Maintenance, Replacement, Etc., of Residential Structures and Commonly Held Property—Eligible Organizations.

a. In computing tax, there may be deducted from the measure of tax amounts used solely for repair, maintenance, replacement, management, or improvement of the residential structures and commonly held property, but excluding property where fees or charges are made for use by the public who are not guests accompanied by a member, which are derived by:

- (1) A cooperative housing association, corporation, or partnership from a person who resides in a structure owned by the cooperative housing association, corporation, or partnership;
- (2) An association of owners of property as defined in RCW [64.32.010](#), as now or hereafter amended, from a person who is an apartment owner as defined in RCW [64.32.010](#); or
- (3) An association of owners of residential property from a person who is a member of the association.
“Association of owners of residential property” means any organization of all the owners of residential property in a defined area who all hold the same property in common within the area.

b. For the purposes of this section, “commonly held property” includes areas required for common access such as reception areas, halls, stairways, parking, etc., and may include recreation rooms, swimming pools and small parks or recreation areas; but is not intended to include more grounds than are normally required in a residential area, or to include such extensive areas as required for golf courses, campgrounds, hiking and riding areas, boating areas, etc.

c. To qualify for the deductions under this section:

- (1) The salary or compensation paid to officers, managers, or employees must be only for actual services rendered and at levels comparable to the salary or compensation of like positions within the county wherein the property is located;
- (2) Dues, fees, or assessments in excess of amounts needed for the purposes for which the deduction is allowed must be rebated to the members of the association;
- (3) Assets of the association or organization must be distributable to all members and must not inure to the benefit of any single member or group of members.

5. Amounts Representing Rental of Real Estate for Boarding Homes. In computing tax, there may be deducted from the measure of tax amounts representing the value of the rental of real estate for “boarding homes.” To qualify for the deduction, the boarding home must meet the definition of “boarding home” and be licensed by the state of Washington under Chapter [18.20](#) RCW. The deduction shall be in the amount of twenty-five percent of the gross monthly billing when the boarder has resided within the boarding home for longer than thirty days.

6. Radio and Television Broadcasting—Advertising Agency Fees—National, Regional, and Network

Advertising—Interstate Allocations. In computing tax, there may be deducted from the measure of tax by radio and television broadcasters amounts representing the following:

- a. Advertising agencies' fees when such fees or allowances are shown as a discount or price reduction in the billing or that the billing is on a net basis, i.e., less the discount;
- b. Actual gross receipts from national network and regional advertising or a "standard deduction" as provided by RCW [82.04.280](#); and
- c. Local advertising revenue that represents advertising which is intended to reach potential customers of the advertiser who are located outside the state of Washington. The director may issue a rule that provides detailed guidance as to how these deductions are to be calculated.

7. Constitutional Prohibitions. In computing tax, there may be deducted from the measure of the tax amounts derived from business which the city is prohibited from taxing under the Constitution of the state of Washington or the Constitution of the United States.

8. Receipts from the Sale of Tangible Personal Property and Retail Services Delivered Outside the City but Within Washington. Effective January 1, 2008, amounts included in the gross receipts reported on the tax return derived from the sale of tangible personal property delivered to the buyer or the buyer's representative outside the city but within the state of Washington may be deducted from the measure of tax under the retailing, retail services, or wholesaling classification.

9. Professional Employer Services. In computing the tax, a professional employer organization may deduct from the calculation of gross income the gross income of the business derived from performing professional employer services that is equal to the portion of the fee charged to a client that represents the actual cost of wages and salaries, benefits, workers' compensation, payroll taxes, withholding, or other assessments paid to or on behalf of a covered employee by the professional employer organization under a professional employer agreement.

10. Interest on Investments or Loans Secured by Mortgages or Deeds of Trust. In computing tax, to the extent permitted by Chapter [82.14A](#) RCW, there may be deducted from the measure of tax by those engaged in banking, loan, security or other financial businesses amounts derived from interest received on investments or loans primarily secured by first mortgages or trust deeds on nontransient residential properties. (Ord. 3304-12 § 4, 2012; Ord. 3042-07 § 5, 2007; Ord. 2810-04 § 1 (part), 2004)

3.24.105 New job tax credit. SHARE

A. Purpose. The city believes that providing a tax credit relating to a business's growth or relocation into the city is a meaningful method of attracting and retaining such businesses. Further, the city finds that a credit related to the creation of fifty new full-time employment positions within four consecutive quarters will encourage businesses that are financially sound and well established in the marketplace to relocate to the city or expand within the city. Therefore, considering situations particular and unique to the city, the city finds that it is appropriate to differ from the business and occupation tax model ordinance in providing for a new jobs tax credit as described in this section.

B. The credit described in this section is available to taxpayers located in the city.

C. Subject to the conditions of this section, a taxpayer may claim a credit against the tax imposed under this chapter when, after January 1, 2010, the taxpayer creates fifty or more new full-time employment positions within the city in a period not to exceed four consecutive quarters and keeps those positions filled for three consecutive years following the date on which credit for the positions is claimed.

1. This credit is one thousand dollars for each new full-time employment position created in a single period. A taxpayer may claim credit under this section multiple times, up to a cap of five hundred thousand dollars per taxpayer, for separate and distinct periods, provided the taxpayer satisfies the requirements of this section for each period.

2. A "new full-time employment position" means a permanent, full-time position that has not been filled by the taxpayer at any time in the five preceding years or which has not been located within the city at any time in the five preceding years.

a. "Full-time" means a position that is filled by one employee who works a normal work week of at least thirty-five hours.

b. The employee filling the new full-time employment position must perform work primarily at locations within the city for the relevant periods specified under this section. For the purposes of this subsection, "primarily" means that the employee will perform at least fifty-one percent of his or her job duties in the city.

c. If an employee is voluntarily or involuntarily separated from employment, the new full-time employment position is considered filled on a full-time basis if the taxpayer actively seeks a replacement and does not allow the position to remain vacant for more than ninety days in any four consecutive quarters, which time may be extended an additional thirty days by the director upon a showing of good cause.

- d. A position is a new full-time employment position only if, when filled, it results in a net increase in the taxpayer's total number of full-time employment positions located within the city.
 - e. New full-time employment positions filled by existing employees performing work primarily within the city are eligible for the credit under this section only if the position vacated by the existing employee is filled by a new hire.
 - f. A taxpayer does not create any new full-time employment positions for purposes of this section by: (1) purchasing a business already located within the city; (2) moving a business already located within the city to a new location; or (3) being annexed into the city.
3. To qualify for this credit the taxpayer must report, on each return filed after this section is effective, the taxpayer's total number of full-time employment positions.
4. This credit may be claimed at the end of the fourth consecutive quarter in which fifty or more new full-time employment positions were created or, upon the taxpayer's request by written application, following creation of the last new full-time employment position for which credit will be claimed in that period.
5. The taxpayer must attach an application, provided by the city, to the return due at the conclusion of the four consecutive quarters in which fifty or more new full-time employment positions were created, or on the return due at the time of the taxpayer's application specified in subsection (C)(4) of this section.
6. On the return following the creation of the first new full-time employment position for which credit will be claimed, the taxpayer shall attach its two most recent quarterly tax summary Washington State unemployment insurance reports filed with the state. On each return submitted to the city thereafter, and for three years following the return on which credit is claimed, the taxpayer shall attach all quarterly tax summary Washington State unemployment insurance reports filed with the state but not yet submitted to the city. The reports submitted must redact employee names and Social Security numbers, but otherwise be complete replications.
7. The taxpayer is not eligible for this credit if the taxpayer owes the city any taxes which are due under a past return, including, but not limited to, amounts due under Chapters [3.19](#), [3.20](#), [3.24](#), [3.28](#), and/or [3.36](#).
8. This credit may not be applied retroactively by amending prior returns, but may be carried forward to the extent the credit exceeds the taxes imposed under this chapter.
9. This credit is not considered a payment of taxes for purposes of Section [3.19.100](#) or any other purpose. As such, unused credit amounts will not be refunded and will not accrue interest.

10. To remain eligible for credit claimed under this section, the taxpayer must keep filled, for three years after the date on which credit is claimed, the total number of full-time employment positions existing at the time credit is claimed.

D. In addition to the requirements of Section [3.19.060](#), the taxpayer must maintain records for each new full-time employment position filled and such records shall be available for the city's review, consistent with Section [3.19.060](#). At a minimum, these records must include:

1. Quarterly tax summary Washington State unemployment insurance reports filed during the current year and five previous years;
2. Employment records, including Washington State and federal tax returns, for the current year and the five previous years; and
3. A written job description of each new full-time employment position for which credit is claimed.

E. If at any time the director finds that a taxpayer is not eligible, or has lost eligibility, for credit allowed under this section, such credit shall be revoked immediately and the director shall impose interest, and may impose penalties, in accordance with Chapter [3.19](#).

F. Notwithstanding provisions elsewhere in this chapter, the director is authorized to promulgate rules and regulations implementing, interpreting, and enforcing the provisions of this section. (Ord. 3175-10 § 1, 2010)

3.24.110 Application to city's business activities. SHARE

Any department, division, employee association, or other subsection of the city that engages in any business activity which, if engaged in by any person, would under this chapter require a business license and the payment of any tax or fee shall make application, file returns, and pay any taxes or fees imposed by this chapter. (Ord. 2810-04 § 1 (part), 2004)

3.24.120 Tax part of overhead. SHARE

It is not the intention of this chapter that the taxes or fees herein levied upon persons engaging in business be construed as taxes or fees upon the purchasers or customer, but that such taxes or fees shall be levied upon, and collectible from, the person engaging in the business activities herein designated and that such taxes or fees shall constitute a part of the cost of doing business of such persons. (Ord. 2810-04 § 1 (part), 2004)

3.24.130 License fee additional to others. SHARE

The license fee and tax herein levied shall be in addition to any license fee or tax imposed or levied under any law or any other ordinance of Everett, a municipal corporation, except as herein otherwise expressly provided.
(Ord. 2810-04 § 1 (part), 2004)

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For statutory provisions authorizing first class cities to grant licenses and fix the amount to be paid therefor, see RCW [35.22.280](#)(33).

Prior history: Prior code §§ 4.02.010—4.02.410; Ords. 3292, 3705, 293-74, 567-78, 900-82, 1060-84, 1287-87, 1387-87, 1417-87, 1431-87, 1795-91, 1913-92, 1960-93, and 2438-00.